

**AMENDED AND RESTATED
ASSET PURCHASE AGREEMENT**

THIS AMENDED AND RESTATED ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 4th day of November, 2005 by and between Terra Cotta Realty Co., an Illinois corporation ("Terra Cotta"), and Illinois-American Water Company, an Illinois corporation ("Illinois-American").

RECITALS

WHEREAS, Terra Cotta and Illinois-American's predecessor, Citizens Utilities Company of Illinois ("CUCI"), entered into that certain Asset Purchase Agreement dated February 16, 2000 ("Asset Purchase Agreement") under which, subject to the approval of the Illinois Commerce Commission ("Commission"), Terra Cotta agreed to transfer to CUCI certain water and sewer facilities (respectively, the "Existing Water Facilities" and "Existing Sewer Facilities") required to provide public water and sanitary sewer services to occupants of land then-owned by Terra Cotta and/or entities purchasing land owned by Terra Cotta (the "Original Terra Cotta Area"); and

WHEREAS, the Asset Purchase Agreement also addressed other matters including, but not limited to, terms applicable to the funding and responsibility for construction of water and sewer facilities to be constructed in the future; and

WHEREAS, CUCI filed the Asset Purchase Agreement for approval by the Illinois Commerce Commission ("Commission"), to the extent required, in Commission Docket 00-0194; and

WHEREAS, in its Order in Docket 00-0194 dated April 25, 2001 ("Docket 00-0194 Order"), the Commission did not approve the Asset Purchase Agreement, but did, *inter alia*: (i) grant to CUCI a Certificate of Public Convenience and Necessity ("Certificate"), authorizing it to provide public water and sewer service within the Original Terra Cotta Area; and (ii) indicate that certain provisions of the Asset Purchase Agreement were reasonable; and

WHEREAS, CUCI filed an appeal of the Docket 00-0194 Order in the Appellate Court of Illinois, Second District; and

WHEREAS, pursuant to the Asset Purchase Agreement and that certain Agreement between Terra Cotta and CUCI dated June 13, 2001 ("June 13 Agreement") a Bill of Sale and Warranty Deeds, Terra Cotta transferred to CUCI title to the Existing Water Facilities, Existing Sewer Facilities and related property rights; and

WHEREAS, in the June 13 Agreement, Terra Cotta and CUCI agreed not to rescind or restructure the Asset Purchase Agreement, except as required to comply with the Docket 00-0194 Order, as then in effect, or as modified after appeal; and

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WHEREAS, the Docket 00-0194 Order was ultimately affirmed on appeal (Illinois-American Water Co. v. Commerce Comm., 331 Ill. App. 3d 1030 (3rd Dist. 2002)); and

WHEREAS, on January 15, 2002, pursuant to the Commission's Order in Docket 00-0476, Illinois-American assumed CUCI's rights and obligations under the Certificate and acquired certain water and wastewater assets of CUCI, including, but not limited to, CUCI's rights and obligations under, *inter alia*, the Asset Purchase Agreement and the June 13 Agreement; and

WHEREAS, Terra Cotta and Illinois-American disagreed on how the Asset Purchase Agreement should be restructured to comply with the Docket 00-0194 Order (as affirmed on appeal), consistent with the terms of the June 13 Agreement; and

WHEREAS, subject to the approval of the Commission, Illinois-American and Terra Cotta have entered into this Agreement to: (i) establish arrangements for expansion of the Original Terra Cotta Area and construction of additional and/or expanded water and wastewater facilities; (ii) comply with the terms of the June 13 Agreement, (iii) compromise, settle and resolve their disagreement; and (iv) address, *inter alia*, matters covered by the Asset Purchase Agreement in a manner that Illinois-American and Terra Cotta believe to be consistent with the relevant portions of the Docket 00-0194 Order (as affirmed on appeal) and the applicable rules, regulations and policies of the Commission.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, Illinois-American and Terra Cotta agree as follows:

I. Background

A. Asset Purchase Agreement. The parties acknowledge and agree that they have entered into this Agreement in a good faith attempt to restructure the Asset Purchase Agreement, in the form of an amended and restated contract, to comply with the terms of the Docket 00-0194 Order (as affirmed on appeal), consistent with the terms of June 13 Agreement. This Agreement shall replace and supercede the Asset Purchase Agreement and the June 13 Agreement; provided, however, that this Agreement shall be subject to, and contingent upon, Illinois-American obtaining "Commission Approval" in accordance with Section X hereof. If Commission Approval is obtained and this Agreement is not terminated in accordance with the provisions hereof, the Asset Purchase Agreement and the June 13 Agreement shall be void and of no further force or effect. If Commission Approval is not obtained and/or if this Agreement is terminated in accordance with the provisions hereof: (i) this Agreement shall be void and of no further force or effect, (ii) the Asset Purchase Agreement and the June 13 Agreement shall remain in full force and effect and (iii) Terra Cotta and Illinois-American shall have all rights, obligations and remedies that existed immediately prior to the execution of this Agreement, as if this Agreement never existed.

B. Facilities Transferred. Pursuant to the Asset Purchase Agreement, the June 13 Agreement and other documents, Terra Cotta transferred to CUCI title to the Existing Water Facilities and Existing Sewer Facilities, as detailed on Appendix "A" (which is attached hereto and made a part hereof). On January 15, 2002, Illinois-American acquired title to the Existing

Water Facilities and Existing Sewer Facilities, as approved by the Commission in Docket 00-0476. In addition, as successor to CUCI, Illinois-American is the lessee of the property on which a wastewater treatment plant conveyed as a part of the Existing Sewer Facilities ("Original Wastewater Plant") is located (the "Property"). Under the lease agreement ("Lease") between Terra Cotta and Illinois-American (as successor to CUCI), dated June 13, 2001, Illinois-American is permitted use of the Property for wastewater treatment plant purposes, including use for additions and expansions of the Original Wastewater Plant. Except as amended in accordance with Section VII.B hereof, the Lease is unaffected by this Agreement and will continue in effect in accordance with its terms; provided that this Agreement is not terminated in accordance with the provisions hereof.

C. Status of Title and Approvals. This Agreement confirms that (i) Illinois-American currently holds title to the Existing Water Facilities and Existing Sewer Facilities and is the lessee under the Lease, (ii) Terra Cotta originally transferred title to those assets to CUCI and entered into the Lease pursuant to the Asset Purchase Agreement, (iii) the Commission in its Docket 00-0194 Order did not approve of the Asset Purchase Agreement, (iv) the June 13 Agreement provided that Terra Cotta and Illinois-American would not rescind or restructure the Asset Purchase Agreement, except as required to comply with the Docket 00-0194 Order (as affirmed on appeal), (v) this Agreement restructures the Asset Purchase Agreement, in the form of an amended and restated contract, to comply with the terms of the Docket 00-0194 Order (as affirmed on appeal), consistent with the terms of the June 13 Agreement, (vi) as provided above, this Agreement shall be subject to, and contingent upon, Illinois-American obtaining Commission Approval, as defined in Section X hereof and (vii) if Commission Approval is not obtained and/or this Agreement is terminated in accordance with Section X, Terra Cotta and Illinois-American shall have all rights, obligations and remedies that existed immediately prior to the execution of this Agreement as if this Agreement never existed.

II. Certificated Area

A. TC Land. The Original Terra Cotta Area, additional land that Terra Cotta now owns (which, together with the Original Terra Cotta Area, consists of approximately 1,470 acres) and certain land that Terra Cotta is under contract to buy (consisting of approximately 80 acres), which together total approximately 1,550 acres, is collectively referred to herein as the "TC Land." The TC Land includes the TC Acres (as defined herein) and such other land as Terra Cotta may sell from the TC Land to other entities. The TC Land is shown on Appendix "B" (which is attached hereto and made a part hereof), and legally described on Appendix "C" (which is attached hereto and made a part hereof). Terra Cotta is presently under contract to sell from the TC Land approximately 1,077 acres (the "TC Acres") to WS Land Partners -- Prairie Grove II, LLC ("Westminster"). Westminster or an affiliate also is under contract to purchase approximately 322 acres of land (the "WS Acres") in an area of approximately 368 acres, which is commonly referred to as Tall Grass ("Tall Grass"). On a combined basis, the TC Acres and WS Acres are referred to herein as the "Pending Sale Land". The Pending Sale Land is shown on Appendix "D" (which is attached hereto and made a part hereof), and legally described on Appendix "E" (which is attached hereto and made a part hereof).

B. Expanded Certificated Service Area. Illinois-American shall promptly and diligently seek approval from the Commission and any other governmental authorities required

by applicable law for an expansion of its certificated areas for water and wastewater service to include the portions of the TC Land that were not in the Original Terra Cotta Area, which land is shown on Appendix "F" (which is attached hereto and made a part hereof), and legally described on Appendix "G" (which is attached hereto and made a part hereof).

In addition, if Westminster completes the closing and buys the Pending Sale Land, Illinois-American shall promptly and diligently seek to include Tall Grass in the Expanded Certificated Service Area (as defined herein) for both wastewater service and potable water service; provided, however, that such inclusion of Tall Grass is contingent upon the following items: (i) completion of an engineering review reasonably acceptable to Illinois-American which indicates that such inclusion of Tall Grass is feasible; (ii) receipt by Illinois-American of needed right-of-way easements to accommodate such inclusion of Tall Grass; (iii) receipt of a legal description for all acreage of Tall Grass; and (iv) receipt of needed governmental approvals. The cost of obtaining such items shall be in accordance with the rules and regulations of the Commission, the Water Main Extension Rules (as defined herein) and the Sewer Main Extension Rules (as defined herein). Tall Grass is shown on Appendix "H" (which is attached hereto and made a part hereof), and the WS Acres are legally described on Appendix "I" (which is attached hereto and made a part hereof). Illinois-American may seek certification for such additional water and/or wastewater service areas as it deems appropriate (the TC Land, Tall Grass (if included in the certificated area under the terms hereof) and any additional included area being referred to herein as the "Expanded Certificated Service Area").

It is understood that the Expanded Certificated Service Area may include Tall Grass and/or any other area to be developed by Westminster (whether or not Westminster purchases the Pending Sale Land); provided, however, that, if Westminster does not purchase the Pending Sale Land, Illinois-American shall not provide to or utilize for Tall Grass any of the 1.0 million gallons per day ("m.g.d.") of wastewater treatment capacity reserved under Section V(G) hereof.

Illinois-American shall propose to the Commission that it issue a Certificate of Public Convenience and Necessity for the Expanded Certificated Service Area ("Expanded Certificate"), which would be effective on the later of: (i) the Closing Date (as defined herein); or (ii) if Illinois-American assumes control of construction of the 1.0 mgd Plant Expansion (as defined herein) on the terms and conditions expressly provided herein, on the date that construction of the 1.0 mgd Plant Expansion (as defined herein) is complete.

For ten consecutive years following the ICC Approval Contingency Expiration Date, Illinois-American shall from time-to-time, but no more frequently than once during each two consecutive year period (unless Illinois-American chooses in its sole discretion to file at a reduced time interval), seek issuance of a Certificate of Public Convenience and Necessity ("TC/WS Certificate") authorizing water and/or wastewater service for additional land purchased by Terra Cotta and/or Westminster (or one or more affiliates thereof) within two miles of the boundary of the Expanded Certificated Service Area (as defined herein) ("Other TC/WS Land"); subject to prior completion or receipt of (as applicable) the following items: (i) completion of an engineering review reasonably acceptable to Illinois-American indicating that the filing of a request for a TC/WS Certificate is appropriate; (ii) receipt by Illinois-American of needed right-of-way easements to accommodate the provision of service for Other TC/WS Land; and (iii) receipt of needed governmental approvals, including, but not limited to, approval of the

Commission. The cost of obtaining such items shall be in accordance with the rules and regulations of the Commission, the Water Main Extension Rules (as defined herein) and the Sewer Main Extension Rules (as defined herein).

C. FPA Boundary. If Westminster requests service from Illinois-American for Tall Grass and Illinois-American elects to seek authority to provide such service (whether or not Westminster closes on the Pending Sale Land), Illinois-American shall provide reasonable cooperation with the efforts of Westminster to amend the existing Facilities Planning Area ("FPA") boundaries to include Tall Grass; provided, that Illinois-American shall provide to or utilize for Tall Grass the 1.0 mgd of wastewater treatment capacity reserved under Section V(G) hereof only if Westminster purchases the Pending Sale Land from Terra Cotta.

III. Existing Water Facilities-Refund Provisions

A. Prior Refunds. Terra Cotta and Illinois-American agree that, to date, Illinois-American has provided all refunds due to Terra Cotta for the Existing Water Facilities, and that no additional payment to Terra Cotta is presently due under the Asset Purchase Agreement with regard to the Existing Water Facilities.

B. Future Refunds. The provisions set forth below with regard to the amount of utility investment in the Existing Water Facilities are substantially the same as those contained in the Asset Purchase Agreement, except that they have been updated to clarify certain language and reflect the assumption by Illinois-American of the obligations of CUCI. These provisions were found reasonable in the Docket 00-0194 Order and shall continue to apply.

1. Backbone Plant. Illinois-American shall continue to reimburse Terra Cotta for its investment in water backbone plant (that was part of the Existing Water Facilities) based on new customer connections (homes or businesses that connect to the water system). Such water backbone plant includes the two wells, well house, and 500,000 gallon elevated storage tank and related appurtenances constructed by Terra Cotta in 1998 and 1999.

a. Amount. The amount of such reimbursement payments shall be determined by the actual cost of the backbone facilities that are part of the Existing Water Facilities (actual out-of-pocket cost as determined by Terra Cotta's books and records) divided by the number of single family units ("SFUs") or population equivalents ("P.E.s") that could be served by the backbone facilities (subject to Section III.C below). The actual number of SFUs or PEs that could be served by the backbone facilities will be determined by a professional engineer mutually agreed to by the parties (see Section III.C below). An example would be as follows:

Backbone Plant	\$1.3 million
Design Capacity	1,500 single family units
Payment	$\$1,300,000 \div 1,500 = \867 per single family unit

The parties acknowledge and agree that the actual cost of the backbone facilities that are part of the Existing Water Facilities incurred by Terra Cotta is \$1,373,942.14, of which \$201,647.34 has been previously reimbursed.

- b. Timing. Payments will be made by Illinois-American to Terra Cotta in January and July (by no later than the end of the month) of each year for the number of new customers first connected during the then-previous six-month period within portions of the Expanded Certificated Service Area which utilize the Existing Water Facilities. Said payment will be made within 30 days after Terra Cotta requests payment from Illinois-American. Payments under this Paragraph shall not exceed the actual cost of the water backbone plant that is part of the Existing Water Facilities, with full credit for amounts previously paid.

2. Individual Service Connections. Illinois-American shall reimburse Terra Cotta for the actual cost of the individual water service connections constructed by Terra Cotta in the Original Terra Cotta Area and between the watermain and the property line. Payments shall be made by Illinois-American to Terra Cotta in January and July (by no later than the end of the month) of each year for the number of new customers first connected in the Original Terra Cotta Area during the previous six-month period. Said payment shall be made by Illinois-American within 30 days after the receipt of an invoice from Terra Cotta along with documentation supporting the individual costs included in the invoice.

3. 1 1/2 Times Water Revenues. Illinois-American shall pay to Terra Cotta an amount equal to 1½ times the first year water revenues (gross water revenues less any surcharges or taxes) of a typical residence for each new residential customer connected in the Original Terra Cotta Area for the first time and in service for a period of one year. For purposes of this paragraph, typical residential usage shall be the average actual residential usage for single family homes and townhomes in the Original Terra Cotta Area. For new commercial customer connections in the Original Terra Cotta Area, Illinois-American shall pay to Terra Cotta 1½ times the actual first year's water revenue after the first full year of service. At the end of each year, payments shall be made by Illinois-American to Terra Cotta within 30 days after Terra Cotta requests payment from Illinois-American for new, qualifying customer connections as defined in this paragraph. Illinois-American shall make these payments to Terra Cotta, for customers which connect to water mains constructed by Terra Cotta in the Original Terra Cotta Area, for the period of ten years that commenced on July 1, 2000 and expires on June 30, 2010, after which no further refunds will be due under this Section III(B)(3).

C. 4,950 P.E. This Agreement (Section III(B)(1)(a)), provides for a P.E. capacity level "determined by a professional engineer mutually agreed to by the parties." For this purpose, the parties retained C.S. Lin of Lintech Engineering, L.L.C., who reported a potential capacity range of 4,300 to 5,600 P.E. The parties ultimately agreed to a compromise P.E. level of 4,950 P.E. Terra Cotta and Illinois-American agree that the 4,950 P.E. level is still appropriate for use. The agreed P.E. level was used to determine water backbone plant refunds to date. Therefore, no additional sum is presently due to Terra Cotta. As customers attach to the water backbone plant, Illinois-American shall continue to pay refunds to Terra Cotta based on

the agreed 4,950 P.E. capacity level until customers requiring 4,950 P.E. of capacity have attached to the water facility. At that time, Terra Cotta's investment in water backbone plant will have been refunded and no further refunds will be due.

D. Clarifications. It is understood that the refund required for service connections in accordance with Section (III)(B)(2) above applies only for service connections constructed by Terra Cotta, and not for service connections installed by other entities. It is further understood that the revenue funds required under Section (III)(B)(3) above apply only for "customers which connect to water main[s] constructed by Terra Cotta", and not water mains constructed by other entities, during the ten year time period referenced in Section III(B)(3). Except as expressly stated herein, this Agreement does not address rights or obligations of Illinois-American with respect to entities other than Terra Cotta which have constructed service connections or water mains.

IV. Future Water Facilities

A. Backbone. Provided that this Agreement is not terminated in accordance with Section X (and subject to the provisions of Section IX), Illinois-American shall, at its expense, construct and provide future water backbone plant for the TC Land, as required to provide water public utility service that is adequate, reliable, efficient and environmentally safe, without any requirement that Terra Cotta (or entities that purchase the TC Land) provide a construction deposit or any other funding or collateral whatsoever. Illinois-American will at its expense seek to obtain any necessary permits or approvals for such water backbone plant. Illinois-American shall construct and provide such future water backbone facilities from time-to-time so that such facilities are available for use as needed to provide water service for the TC Land. Terra Cotta consents to use of the water backbone plant that is part of the Existing Water Facilities as needed for any portion of the Expanded Certificated Service Area (and, if applicable, the Included Land) as long as Illinois-American fulfills its obligations with respect to constructing and providing future water backbone plant as expressly set forth herein.

Illinois-American shall reasonably determine the type, size and location of future water backbone plant needs and the schedule for Illinois-American to commence the design, permitting and construction of future water backbone plant based on a consideration of factors which Illinois-American deems relevant, which factors include, but are not necessarily limited to: (i) available capacity in the Existing Water Facilities, (ii) existing, pending and proposed real estate development in the area, (iii) the Schedules provided in accordance with Section IV.C hereof (and experience with the accuracy of such Schedules); (iv) the extent to which zoning or plats for development have been approved; (v) the experience of developers in marketing planned or constructed structures; (vi) good utility and engineering practices and (vii) applicable laws, rules and regulations. Illinois-American will reasonably discuss the location of facilities with the owners of TC Land needed for facilities. Consistent with these principles, Illinois-American shall commence the design, permitting and construction of future water backbone plant for the TC Land no later than when, in Illinois-American's reasonable judgment, circumstances require the design, permitting and construction process to commence.

Such circumstances include, but are not limited to, when: (i) the actual peak day water demand for the TC Land has been at or above 80% of the available peak day pumping and/or

treatment capacity (as applicable) during each of two consecutive years, and there is a reasonable expectation of future growth that will require additional water backbone capacity within one (1) year; (ii) the actual peak day water demand for the TC Land is reasonably expected to be at or above 90% of the available peak day pumping and/or treatment capacity (as applicable) within one (1) year, with a reasonable expectation of future growth that will require additional water backbone capacity; or (iii) such other information as Illinois-American reasonably deems relevant demonstrates a need for additional water backbone capacity within one (1) year.

Provided that this Agreement is not terminated and all governmental approvals are obtained (and subject to the provisions of Section IX), regardless of when Illinois-American commences the design, permitting and construction of future water backbone plant for the TC Land, Illinois-American shall construct and provide water backbone plant capacity and service as needed for the TC Land, and to cause such capacity and service to be available for use as needed for the TC Land, unless caused by events beyond the control of Illinois-American.

If Illinois-American concludes that additional water backbone plant is required for the TC Land, but is unable to provide such capacity through use of Illinois-American's internal resources, Illinois-American will retain such outside contractor(s) as may be required to provide the required water backbone capacity under supervision by Illinois-American and at Illinois-American's expense.

In the event that: (i) Tall Grass is included in the Expanded Certificate and/or (ii) a TC/WS Certificate is issued to Illinois-American, Illinois-American will, subject to any needed governmental approvals, provide water backbone facilities for Tall Grass and/or the Other TC/WS Land included in the TC/WS Certificate ("Included Land"); provided, however, that Illinois-American may, if it so elects, seek approval by the Commission of a contribution and/or an advance from Westminster (or such other entity as is developing Tall Grass) and/or from entity(ies) developing the Included Land (as applicable) to cover the cost of water backbone plant for Tall Grass and/or the Included Land in accordance with the provisions of 83 Illinois Administrative Code, Section 600.370(a), as presently in effect or as subsequently revised.

B. Water Mains. Water mains shall be extended by Illinois-American for all portions of the Expanded Certificated Service Area (including the TC Land and, if applicable, Tall Grass) and/or, if applicable, for Included Land under the approved Rules, Regulations and Conditions of Service for Illinois-American's Metro-Division (including, but not limited to, applicable provisions thereof which refer to refund and/or recapture requirements) (Ill. CC. No. 4, Original Sheet Nos. 25-31 ("Water Main Extension Rules"), as are presently in effect or as subsequently amended with the approval of the Commission. A copy of the Water Main Extension Rules, as presently in effect, are attached hereto as Appendix "J".

C. Schedules. It is understood that Terra Cotta and entities that purchase or develop the TC Land and, if Westminster (or its affiliate) purchases the Pending Sale Land, Tall Grass also (collectively, the "TC Land Entities"), intend to construct residential and other structures within the TC Land and, if applicable, Tall Grass. To provide information for consideration by Illinois-American in the capacity planning process, each of the TC Land Entities shall annually provide to Illinois-American (on or before December 31 of each of the 10 consecutive calendar years immediately succeeding the Closing Date (as defined herein)) a Schedule, showing, for

each year of the five succeeding calendar years, by type (residential, commercial etc.) and size, the structures that the TC Land Entity intends to connect to the water system serving the TC Land and/or Tall Grass.

The Schedule shall also show the TC Land Entity's projection of the amount of additional water backbone plant capacity required to serve the structures that the TC Land Entity plans to connect to the water system during each year. Terra Cotta shall require the TC Land Entities to provide the Schedules required by this Section IV(C) through binding provisions contained in a contract between Terra Cotta and each TC Land Entity and/or through recorded covenants running with the land. To the extent that the construction plans of any of the TC Land Entities change for a given calendar year from the plans disclosed for that calendar year on a Schedule previously provided to Illinois-American, such change will be reflected in the Schedule provided by the TC Land Entity during the next calendar year.

Illinois-American shall diligently monitor the available capacity in the Existing Water Facilities and existing, pending and proposed real estate development in the TC Land and, if applicable, Tall Grass, for capacity planning purposes.

In the event that a TC/WS Certificate is issued, any entity(ies) developing the Included Land shall provide Schedules for the Included Land which contain the information that this Section V.C requires TC Land Entities to provide for TC Land and, if applicable, Tall Grass.

D. Contracts With Third Parties. Terra Cotta may enter into contracts with other TC Land Entities or subject them to recorded covenants running with the land regarding the use of water backbone plant, the allocation of its capacity or otherwise without notice to, or the consent or approval of, Illinois-American. In the event that Terra Cotta enters into such contracts, it is understood that they shall not be binding on Illinois-American and may not be considered by Illinois-American in providing public water service for the Expanded Certificated Service Area, including the TC Land and, if applicable, Tall Grass. Illinois-American shall, upon reasonable request, provide to Terra Cotta the available permitted water capacity requirement, as established by the Illinois Environmental Protection Agency ("IEPA"), for any portion of the TC Land and/or Tall Grass.

E. Interconnection. Terra Cotta and Illinois-American acknowledge and agree that the Agreement for Emergency Interconnection of Water Systems entered into by and between Terra Cotta and CUCI and dated June 13, 2001, a copy of which is attached hereto as Appendix "K" and made a part hereof, has been assigned by CUCI to, and assumed by, Illinois-American, and shall remain in full force and effect.

V. Future Sewage Plant Expansion – General Requirements and Funding

A. Original Design/Build Agreement. On September 4, 2003, Terra Cotta, with the permission of Illinois-American, entered into a contract ("Design/Build Agreement") with Lintech Engineering, LLC and Joseph J. Henderson & Son for the design and construction of an expansion of the Existing Sewer Facilities to increase the design average flow from 100,000 gallons per day (g.p.d.) to 1.0 million g.p.d. (the "1.0 mgd Plant Expansion"). In 2004, Terra

Cotta, with the permission of Illinois-American, suspended work on the 1.0 mgd Plant Expansion.

B. Updated Design/Build Agreement. Terra Cotta, by itself or together with other TC Land Entities, shall resume constructing the 1.0 mgd Plant Expansion at its expense under the Design/Build Agreement, updated as needed to reflect construction costs for the time period when the work will be performed (the "Updated Design/Build Agreement"). The Updated Design/Build Agreement includes or references applicable engineering plans and specifications attached thereto. Illinois-American has reviewed, and hereby approves of, the Updated Design/Build Agreement (including the attached and/or referenced plans and specifications). A copy of the Updated Design/Build Agreement is attached hereto as Appendix "L" and made a part hereof.

Construction of the 1.0 mgd Plant Expansion shall be in accordance with the Updated Design/Build Agreement (including the attached and/or referenced plans and specifications). Terra Cotta, by itself or together with other TC Land Entities, shall complete construction of the 1.0 mgd Plant Expansion within twelve months from the "ICC Approval Contingency Expiration Date" (as hereinafter defined) (such twelve-month period being referred to herein as the "Twelve-Month Period"). Terra Cotta, by itself or together with other TC Land Entities, shall, at its expense, obtain such permits and approvals as are required for the resumed construction. Terra Cotta, by itself or together with other TC Land Entities, shall take such steps as are necessary to ensure that the resumed construction will not disrupt or interfere with the operation of the Existing Water Facilities or the Existing Sewer Facilities (without Illinois-American's prior written consent).

Illinois-American shall, at all times, hold title to the components of the 1.0 mgd Plant Expansion, which will be treated for ratemaking and regulatory purposes as a "contribution-in-aid-of-construction." Illinois-American's investment in the expanded plant facilities will be the amount of specified in Section VIII hereof.

C. Funding. Funding for the 1.0 mgd Plant Expansion shall be provided by Terra Cotta, by itself or together with other TC Land Entities in the form of either (at Terra Cotta's option): (i) a cash escrow (with a nationally recognized title insurance company selected by Terra Cotta to act as escrowee and using its standard escrow forms modified as required to be consistent with this Agreement); or (ii) letter of credit (in a form and from an institution acceptable to Illinois-American), with such cash escrow or letter of credit being in the amount required to complete construction of the 1.0 mgd Plant Expansion under the Updated Design/Build Agreement, plus 7% of that amount to cover overhead and administrative costs (funding amount subject to potential reduction by \$322,202 pursuant to Section VIII). Terra Cotta shall fund the cash escrow or letter of credit on the earlier of: (i) the date which is three (3) business days after the ICC Approval Contingency Expiration Date; or (ii) the date on which resumed construction of the 1.0 mgd Plant Expansion commences. Unless and until such time as Illinois-American assumes control of construction of the 1.0 mgd Plant Expansion in accordance with the terms hereof, Illinois-American shall not be a party to the cash escrow or letter of credit, but shall receive from Terra Cotta evidence demonstrating that the cash escrow or letter of credit has been established and maintained in accordance with this Section V.

Terra Cotta's design/builder may draw on the cash escrow or letter of credit on a monthly or other periodic basis, in an amount not to exceed the cost of work completed, to fund the resumed construction after the design/builder has provided to the escrowee customary lien waivers and sworn statements for the cost of completed work and the approval thereof by Terra Cotta, which approval shall not be unreasonably withheld. Terra Cotta also may draw on the cash escrow or letter of credit to cover its overhead and administration cost, but only in an amount equal to seven percent (7%) of the amounts drawn by the design/builder to cover completed work. If, at any time, the balance of the cash escrow or letter of credit becomes insufficient to fund 107% of Terra Cotta's then-remaining payment obligations under the Updated Design/Build Agreement (including revisions approved hereunder), Terra Cotta will increase the cash escrow or letter of credit as needed to fund 107% of such obligations.

Funds deposited into such escrow or for such letter of credit may be invested in federally insured accounts. Interest earned on such funds shall be payable to Terra Cotta (or its designee) upon completion of the project, unless retention of the interest is needed to cover increased project costs. If this Agreement is terminated as expressly provided herein, Illinois-American shall thereupon have no rights with respect to any cash escrow or letter of credit relating to the 1.0 mgd Plant Expansion.

D. Project Takeover. In the event that Terra Cotta, by itself or together with other TC Land Entities, does not complete construction of the 1.0 mgd Plant Expansion within the Twelve-Month Period, Illinois-American may (at its option) assume control of the construction after giving written notice thereof to Terra Cotta and the design/builder. If Illinois-American elects to assume control, Illinois-American will take such action as is reasonably required to promptly complete the 1.0 mgd Plant Expansion, subject to events which are beyond Illinois-American's reasonable control. The terms of the cash escrow or letter of credit referenced above shall permit Illinois-American to draw funds (to cover project costs and/or administration and overhead) from the cash escrow or letter of credit in the event that Illinois-American assumes control of the construction under the terms hereof. Also, in the event that Illinois-American assumes control of the construction under the terms hereof, from and after the Closing (as defined herein), Terra Cotta and/or any other TC Land Entities participating in construction of the 1.0 mgd Plant Expansion will no longer be permitted to draw funds from the cash escrow or letter of credit.

In the event that Illinois-American assumes control of construction, Terra Cotta, by itself or together with other TC Land Entities, shall (i) increase the balance of the cash escrow or letter of credit at Closing (as defined herein) as necessary to cover 107% of the then-current estimated cost of completing the 1.0 mgd Plant Expansion at the time of Closing, (ii) have the right to inspect the construction from time-to-time, (iii) be given by Illinois-American a copy of all escrow submittal documents and an accounting of all escrow disbursements.

E. Possible Expansion Beyond 1 MGD. Illinois-American may, at any time, discuss with Terra Cotta's design/builder such adjustments as would be appropriate to increase the capacity of the expanded wastewater plant facilities beyond 1 mgd. During the Twelve-Month Period, (i) Illinois-American may propose to Terra Cotta that such adjustments be made (with funding arranged by Illinois-American) and (ii) Terra Cotta shall determine in its sole discretion

whether or not, and the terms and conditions on which, such proposed adjustments shall be made during the Twelve-Month Period.

After the Twelve-Month Period, if control of the construction is transferred to Illinois-American, Illinois-American may make such adjustments to increase the plant capacity beyond 1 mgd as it deems appropriate (with funding for the increased capacity arranged by Illinois-American), but shall not implement any adjustment or take any other action that would delay completion of the 1.0 mgd of plant capacity reserved under Section V(G). In the event that the capacity of the expanded plant facilities is increased to a level above 1.0 mgd, all funding for such increase in capacity shall be arranged by Illinois-American and Terra Cotta shall not be required to fund any costs incurred to increase the plant capacity. It is understood that Illinois-American's agreement to fund an increase in capacity of the 1.0 mgd Plant Expansion without contribution by Terra Cotta does not apply to the future construction of additional capacity that may be required at such time as the wastewater capacity requirement in the Sewer Facilities Area (as defined herein) may exceed 10,000 P.E. As provided herein, in the event that the capacity requirement for the Sewer Facilities Area (as defined herein) exceeds 10,000 P.E., Terra Cotta and/or other TC Land Entities seeking additional wastewater plant capacity arrangements for such additional capacity requirements will be made in accordance with Section V.G hereof.

F. True-Up Upon Completion by Illinois-American. If Illinois-American assumes control of the construction, when such construction is complete, Illinois-American shall provide a final accounting of the cost of the construction to Terra Cotta and reasonably determine the actual out-of-pocket cost paid by Illinois-American to the design/builder for completion of the increase in plant capacity to the level of 1.0 mgd plus seven percent (7%) for administration and overhead costs of Illinois-American (collectively, the "Completion Cost"). If the balance of the cash escrow or letter of credit provided to Illinois-American at the time that control is transferred plus interest earned thereon exceeds the Completion Cost, Illinois-American shall, within 30 days thereafter, refund the difference to Terra Cotta or authorize return of the letter of credit to Terra Cotta, as the case may be. If the Completion Cost exceeds the transferred balance of the cash escrow or letter of credit plus interest earned thereon, Terra Cotta shall, within 30 days thereafter, pay to Illinois-American the amount of such excess.

G. 1 MGD Capacity Reserve. Illinois-American shall reserve, set aside, guaranty and provide 1.0 mgd of capacity from the 1.0 mgd Plant Expansion exclusively for the TC Land and, if Westminster closes on the Pending Sale Land, Tall Grass (the "Sewer Facilities Area"). In addition, if a TC/WS Certificate is issued, the Included Land will also be included in the Sewer Facilities Area, provided that Illinois-American reasonably concludes that the Included Land can reasonably be served by use of the 1.0 mgd Plant Expansion under the applicable rules, regulations and policies of the Commission; and that all applicable governmental approvals are obtained, including, but not limited to, approval of the Commission. The 1.0 mgd of reserved capacity is intended to provide 10,000 P.E. of capacity for the Sewer Facilities Area. Neither Terra Cotta nor other TC Land Entities (nor Westminster for Tall Grass, if Westminster closes on the Pending Sale Land) shall be required to pay Illinois-American a connection or other capacity fee for use of the reserved 1.0 mgd of capacity. Terra Cotta agrees that development of the Sewer Facilities Area may only utilize a combined level of up to 10,000 P.E. of capacity from the 1.0 mgd of reserved capacity. If, at any time, future development of the Sewer Facilities Area exceeds 10,000 P.E., as reasonably determined by Illinois-American, arrangements for

additional wastewater plant capacity shall be made under Illinois-American's then-effective Rules, Regulations and Conditions of Service or such other terms as the Commission may approve. Wastewater mains shall be extended for all portions of the Expanded Certificated Service Area and/or the Included Land under the Metro Division's standard Rules, Regulations and Conditions of Service ("Wastewater Main Extension Rules") (Ill.C.C. No. 5, Original Sheet Nos. 25-27, as presently in effect or as subsequently amended with the approval of the Commission. A copy of the Wastewater Main Extension Rules, as presently in effect, is attached hereto as Appendix "M".

H. Contracts With Third Parties. Terra Cotta may enter into contractual or other arrangements with other TC Land Entities or subject them to recorded covenants running with the land that assign and/or allocate rights to use of the 1.0 mgd of wastewater treatment capacity within the Sewer Facilities Area between or among Terra Cotta and other TC Land Entities or otherwise without notice to, or the consent or approval of, Illinois-American. It is understood, however, that the enforcement of such contractual or other arrangements is the sole responsibility of Terra Cotta, and not the responsibility of Illinois-American. Illinois-American shall, upon reasonable request, provide to Terra cotta the available permitted wastewater capacity requirements, as determined by the IEPA, for any portion of the Sewer Facilities Area.

At such time as the reserved 1.0 mgd of capacity is fully utilized within the Sewer Facilities Area by the development of more than 10,000 P.E. within the Sewer Facilities Area as provided above, the requirement that any person or entity requiring additional wastewater treatment capacity establish an arrangement with Illinois-American for such capacity under Section V(G) shall apply to Terra Cotta or any other entity.

I. Covenants. Illinois-American and Terra Cotta acknowledge and agree that certain provisions of this Agreement affect rights or obligations of TC Land Entities other than Terra Cotta (including, if applicable, Westminster). Accordingly, Illinois-American and Terra Cotta shall (if the provisions of the Master Declaration are then accurate and fully consistent with the terms of the ICC Order (as defined)) execute a document substantially in the form of the Master Declaration of Water and Sewer Capacity Covenants applicable to the TC Land (and, if applicable, Tall Grass), which is attached hereto as Appendix "N" and made a part hereof at the Closing, and Terra Cotta shall record it with the Recorder of Deeds Office of McHenry County. If the provisions of the Master Declaration attached as Appendix "N" are not accurate at the time of Closing and/or are inconsistent with the terms of the ICC Order (as herein defined), Illinois-American and Terra Cotta will prepare, execute and record a Master Declaration in a form that is accurate at the time of Closing and consistent with the terms of the ICC Order. Also, in the event that a TC/WS Certificate is issued, Illinois-American and Terra Cotta will prepare, execute and record a Declaration of water and/or wastewater covenants applicable to Included Land, provided that the terms of such Declaration will be subject to mutual agreement, in strict accordance with the provisions of this Agreement that apply to the Included Land and, where applicable, substantially in the form of the Master Declaration attached hereto as Appendix "N".

VI. 1.0 mgd Plant Expansion -- Construction Process

A. Contract; Changes. As provided above, Illinois-American approves of the Updated Design/Build Agreement (including the attached plans and specifications). Any

changes to the Updated Design/Build Agreement and/or the specifications attached thereto or referenced therein for the 1.0 mgd Plant Expansion shall be approved by (i) all necessary governmental agencies and (ii) Illinois-American, which approval shall not be unreasonably withheld conditioned or delayed and, if not granted or denied within ten (10) business days after requested, shall be deemed given. Illinois-American also shall have the right to approve any change in the Design/Builder of the 1.0 mgd Plant Expansion and/or any contractor or subcontractors retained for the 1.0 mgd Plant Expansion by Terra Cotta and/or the Design/Builder, such approval not to be unreasonably withheld.

B. Inspection. Terra Cotta shall comply with the inspection and testing requirements of Illinois-American, which requirements shall be reasonable. Upon completion of the 1.0 mgd Plant Expansion, Terra Cotta shall notify Illinois-American at least forty-eight (48) hours in advance of when the 1.0 mgd Plant Expansion is ready for inspection and testing, and Illinois-American shall inspect promptly after being so notified.

C. Documents. During construction of the 1.0 mgd Plant Expansion, Terra Cotta shall submit to Illinois-American the originals or complete and clear copies of all bills, statements, invoices, and all other evidences of expense received by Terra Cotta after the date of this Agreement at any time during the construction process from subcontractors, vendors and others for all engineering and other services, materials installed, construction performed, equipment provided and materials purchased for construction pursuant to this Agreement, together with corresponding lien waivers for these or other evidences of payment by Terra Cotta in a form reasonably acceptable to Illinois-American, and all additional supporting data relative to these which Illinois-American may reasonably request. Terra Cotta also will provide an accounting summary of all costs incurred prior to the date of this Agreement in constructing the 1.0 mgd Plant Expansion, which summary shall be in form and substance reasonably satisfactory to Illinois-American (in recognition of Illinois-American's obligation to comply with accounting rules and regulations of the Commission).

D. Clean-Up. Upon completion of the 1.0 mgd Plant Expansion (if Illinois-American does not assume control of the construction under the terms hereof), Terra Cotta shall remove all equipment belonging to it or used under its direction or by its contractor or its subcontractors, and shall dispose of all unused materials, rubbish, surplus excavated materials and debris in a manner reasonably acceptable to Illinois-American. Terra Cotta shall repair all roads, sidewalks, parkways and all else affected by its work, which repairs shall be made in accordance with the reasonable requirements of Illinois-American and governmental agencies having jurisdiction thereover.

If Illinois-American assumes control of the 1.0 mgd Plant Expansion construction under the terms hereof, upon completion of it, Illinois-American shall dispose of all unused materials, rubbish, surplus excavated materials and debris. Illinois-American shall repair all roads, sidewalks, parkways and all else affected by its work, which repairs shall be made in accordance with the reasonable requirements of Terra Cotta and governmental agencies having jurisdiction thereover.

VII. 1.0 mgd Plant Expansion — Transfer to Illinois-American

A. Closing. Within ten (10) business days after the earlier of: (i) the date that Terra Cotta completes construction of the 1.0 mgd Plant Expansion; or (ii) the date on which Illinois-American assumes control of the construction under the terms hereof, Illinois-American and Terra Cotta will conduct a closing as set forth below ("Closing") at the office of the title company that acted as escrowee of the cash escrow; provided, however, that in no event shall the Closing occur prior to the "ICC Approval Contingency Expiration Date" as hereinafter defined ("Closing Date").

B. Property Extension. At the Closing, the Lease shall be amended to provide for the area of the Property to be modified to include, without limitation, an extension approximately sixty (60) feet to the south, as depicted on Appendix "O" attached hereto and made a part hereof, and legally described in the amendment to the Lease, which is attached to the Lease, as amended ("Modified Lease"), attached hereto as Appendix "P" and made a part hereof.

C. Title Transfer. All materials installed, facilities constructed and equipment provided by Terra Cotta in connection with construction of the 1.0 mgd Plant Expansion shall be the sole property of Illinois-American as installed, and full legal and equitable title thereto shall be then vested in Illinois-American, free and clear of any liens. At Closing, Terra Cotta agrees to execute or cause to be executed promptly bills of sale, deeds (only for transfer of materials installed, facilities constructed, equipment or other fixtures) or other such documents as counsel for Illinois-American may reasonably request to evidence Illinois-American's good and merchantable title to all components of the 1.0 mgd Plant Expansion free and clear of all liens. Except for the warranties to be transferred and assigned by Terra Cotta to Illinois-American as provided below, title to the 1.0 mgd Plant Expansion shall be transferred by Terra Cotta to Illinois-American without any representations or warranties made by Terra Cotta, and any representations or warranties implied or imposed by law are hereby waived by Illinois-American.

D. Closing Documents. At Closing, Terra Cotta shall provide to Illinois-American the following documents:

- (i) The original, if available, or otherwise a copy of all applicable permits and approvals, including, but not limited to, Construction Permits and Operating Permits, in accordance with plans and specifications attached to or referenced in the Updated Design/Build Agreement, and certified by a professional engineer registered in the State of Illinois as being true and correct;
- (ii) A complete set of "as-built" drawings certified by a professional engineer registered in the State of Illinois, showing by measurement the locations of all components of the 1.0 mgd Plant Expansion being located completely within the
- (iii) Final waivers of lien for all services, materials and labor;
- (iv) Copies of final invoices as referred to in Section VI(C);
- (v) Documentation reasonably acceptable to Illinois-American transferring to Illinois-American all warranties provided by manufacturers, suppliers, contractors,

subcontractors, design/builders and/or other entities with respect to components of the 1.0 mgd Plant Expansion; and

- (vi) All operating manuals, instructional documents or other material provided to Terra Cotta by design/builders, contractors and subcontractors or by manufacturers or entities installing components of the 1.0 mgd Plant Expansion.

E. Corporate Authority and Estoppel. At Closing, Terra Cotta and Illinois-American shall each deliver to the other a certification representing (i) that it is an Illinois corporation in good standing, with full power and authority to undertake and complete the Closing and that such transaction does not violate, conflict with or result in the breach of any term, condition or provision of any instrument, contract, lease, agreement, permit, certificate or other document to which it is a party or is otherwise bound or affected; (ii) that there are no known violations by such party with the laws or regulations applicable to the 1.0 mgd Plant Expansion, nor any known environmental conditions in violation of applicable laws relating to the Property or the 1.0 mgd Plant Expansion or environmental conditions, which if left untreated or unremediated, would result in a violation of applicable law, and (iii) there exists no default on the part of the other party under the Lease or Modified Lease nor to the actual knowledge of the representing party, has any event occurred which, with the passage of time or the giving of notice, or both, would constitute a default by the other party. The certification made by Terra Cotta shall include a representation that, to the best of the actual knowledge of its directors, property manager, real estate personnel, officers, attorneys and management personnel, the Property complies with all applicable laws and zoning requirements. The foregoing representations shall survive the Closing for a period of six months.

F. Security Devices. Any keys or similar security devices or codes utilized for the components of the 1.0 mgd Plant Expansion being transferred shall be delivered by Terra Cotta to Illinois-American at the Closing.

G. Further Assurances. In conjunction with the Closing, Illinois-American and Terra Cotta shall take such other steps as may be reasonably required to put Illinois-American in actual possession and operating control of the components of the 1.0 mgd Plant Expansion being transferred at Closing.

H. Project Takeover Documents. In the event that Illinois-American assumes control of construction of the 1.0 mgd Plant Expansion under the terms hereof, Terra Cotta shall, at Closing, in addition to the above, adjust the cash escrow, to the extent required by Section V(D). Also at Closing, in the event that Illinois-American assumes control of the construction, Terra Cotta and Illinois-American shall execute an instrument that (i) assigns to Illinois-American Terra Cotta's rights and obligations under the Updated Design/Build Agreement and any other contracts related to construction of the 1.0 mgd Plant Expansion, (ii) provides for Illinois-American to assume the obligations and liabilities of Terra Cotta thereunder, (iii) releases Terra Cotta from, and indemnifies Terra Cotta against, all obligations and liabilities arising or accruing in connection with the 1.0 mgd Plant Expansion from and after Closing and (iv) indemnifies Illinois-American against all obligations and liabilities arising or accruing in connection with the 1.0 mgd Plant Expansion prior to Closing.

I. Risk of Loss. Prior to Closing, all risk associated with loss, injury or damage sustained by any person or entity, which relates to or is caused by the 1.0 mgd Plant Expansion or any component thereof, or to construction of the 1.0 mgd Plant Expansion by Terra Cotta or any of its employees, agents, contractors and/or subcontractors, shall be with Terra Cotta. Terra Cotta shall defend and hold harmless Illinois-American from any such loss, injury or damage in accordance with the terms of Section XII hereof.

For so long as Illinois-American is constructing the 1.0 mgd Plant Expansion, all risk associated with loss, injury or damage sustained by any person or entity, which relates to or is caused by the 1.0 mgd Plant Expansion or any component thereof, or to construction of the 1.0 mgd Plant Expansion by Illinois-American or any of its employees, agents, contractors and/or subcontractors, shall be with Illinois-American. Illinois-American shall defend and hold harmless Terra Cotta from any such loss, injury or damage in accordance with the terms of Section XII hereof.

The parties acknowledge and agree that the Updated Design/Build Agreement requires the design/builder to carry reasonable insurance, name Illinois-American and Terra Cotta as additional named insureds and provide certificates evidencing such insurance to Illinois-American and Terra Cotta.

J. Illinois-American Conditions to Closing. The obligations of Illinois-American to undertake and complete the Closing are subject to the fulfillment or satisfaction, on or prior to or at the Closing Date, of the following conditions precedent: (i) Terra Cotta shall have provided all documents, and have performed all actions required by this Agreement to be provided or performed by it prior to or at Closing; and (ii) the components of 1.0 mgd Plant Expansion to be conveyed at Closing shall not be physically, materially and adversely affected by fire, explosion, earthquake, disaster, accident, flood, drought, embargo, riot, civil disturbance, uprising, activity of armed forces or act of God or public enemy, or any other event. If any of these conditions has not been satisfied on or prior to the Closing Date, Illinois-American may terminate this Agreement by giving written notice thereof to Terra Cotta on or prior to the Closing Date and, if given on the Closing Date, prior to the consummation of the Closing, in which event this Agreement shall be terminated and neither party shall have any further obligations or liabilities hereunder. See Section X for Commission Approval contingency.

K. Terra Cotta Conditions to Closing. The obligations of Terra Cotta to undertake and complete the Closing are subject to the fulfillment or satisfaction, prior to or at the Closing Date, of the following conditions precedent: Illinois-American shall have provided all documents and performed all actions required by this Agreement to be performed by it prior to or at the Closing. If any of these conditions has not been satisfied on or prior to the Closing Date, Terra Cotta may terminate this Agreement by giving written notice thereof to Illinois-American on or prior to the Closing Date and, if given on the Closing Date, prior to the consummation of the Closing, in which event this Agreement shall be terminated and neither party shall have any further obligations or liabilities hereunder. See Section X for Commission Approval contingency.

L. Further Conditions. The obligations of Illinois-American and/or Terra Cotta to close are further subject to the condition that there be no proceeding pending or threatened

before any court or governmental agency as of the Closing Date in which a party is seeking to restrain or prohibit the construction or operation of the 1.0 mgd Plant Expansion or to obtain damages or other relief in connection with the construction, use or operation of the 1.0 mgd Plant Expansion, or to prevent consummation of the transactions contemplated hereby and to the condition that there be no written threat of any such suit, action or proceeding being filed. Illinois-American and/or Terra Cotta may waive this condition; provided, however, that no such waiver shall constitute a waiver by such party of any of its other rights or remedies hereunder. If any of these conditions have not been satisfied on or prior to the Closing Date, Terra Cotta or Illinois-American may terminate this Agreement by giving written notice thereof to the other party on or prior to the Closing Date, in which event this Agreement shall be terminated and neither party shall have any further obligations or liabilities hereunder.

VIII. Investment by Illinois-American in Existing Wastewater Facilities and 1.0 mgd Plant Expansion

Illinois-American shall pay to Terra Cotta the amount of \$322,202, which amount shall cover all obligations that Illinois-American (as successor to CUCI) has to provide wastewater backbone plant refunds for the Existing Wastewater Facilities under the terms of the Docket 00-0194 Order (and related Appellate Court decision), and also a reasonable level of investment in the 1.0 mgd Plant Expansion. Terra Cotta agrees that this payment is in lieu of any other payment or refund related to wastewater backbone plant, including both the Original Wastewater Plant and the 1.0 mgd Plant Expansion. Any entities that participate with Terra Cotta in funding the 1.0 mgd Plant Expansion under Section V hereof will reasonably demonstrate their acceptance of this point. At Terra Cotta's option, the payment of \$322,202 shall be made by Illinois-American either by: (i) a check issued within 20 business days after receipt of Terra Cotta's letter of credit or funding by Terra Cotta of the cash escrow described in Section V; or (ii) by reduction of either the required balance of the letter of credit or the amount of the cash escrow in the amount of \$322,202.

IX. Water and Wastewater Service

A. Prior to Expanded Certificate. From and after the date of this Agreement and until the date upon which the Expanded Certificate becomes effective, Illinois-American shall provide water and/or wastewater service (as applicable) and provide facilities for the Original Terra Cotta Area in accordance with applicable law, the rules and regulations of the Commission and Illinois-American's approved tariffs, as then in effect or as subsequently revised, and (if Commission Approval has been obtained) subject to the provisions contained in this Agreement.

B. After Expanded Certificate. From and after the date upon which the Expanded Certificate becomes effective, Illinois-American shall provide water and/or wastewater service (as applicable) and provide facilities for the Expanded Certificated Service Area in accordance with applicable law, the rules and regulations of the Commission and Illinois-American's approved tariffs, as then in effect or as subsequently revised, and (if Commission Approval has been obtained) subject to the provisions contained in this Agreement.

C. TC/WS Certificate. From and after the date that a TC/WS Certificate is issued, Illinois-American shall provide water and/or wastewater service and provide facilities for the

Included Land in accordance with applicable law, the rules and regulations of the Commission and Illinois-American's approved tariffs, as then in effect or as subsequently revised, and (if Commission Approval is obtained) subject to the provisions of this Agreement that apply to the Included Land.

D. Rates. All tariffed water and/or wastewater rates charged by Illinois-American shall be approved by the Commission or otherwise, as required by applicable law. For ten years after the date of this Agreement, Illinois-American will provide Terra Cotta with a copy of the initial filing with the Commission of any general rate increase for the Expanded Certificated Service Area or for a rate increase applicable to the TC Industries plant facility located in the Expanded Certificated Service Area, such copy to be provided promptly after the filing with the Commission..

D. Operations. Illinois-American shall maintain and operate water and/or wastewater facilities and provide water/wastewater public utility service for the Original Terra Cotta Area only and, when the Expanded Certificate becomes effective, for the Expanded Certificated Service Area in accordance with applicable law, rules and regulations, and with good and accepted industry practices for professional utility companies operating, maintaining and providing water/wastewater facilities and water/wastewater public utility service in the State of Illinois.

E. Rights Otherwise Consistent. Except as expressly provided herein, Terra Cotta's rights and obligations with respect to water and/or wastewater service and/or water and/or wastewater facilities shall be consistent with those of other water and/or wastewater customers in the Original Terra Cotta Area and, when the Expanded Certificate becomes effective, the Expanded Certificated Service Area.

X. Governmental Approvals

A. Approvals. This Agreement is subject to such governmental approvals as are required, which shall be obtained as provided herein. Illinois-American shall, at its expense, promptly and diligently after the date hereof seek in a lawful manner such approval as is required under applicable laws, rules and/or regulations from the Commission and ("Commission Approval"). When practicable, Illinois-American shall provide Terra Cotta in advance with a copy of documents filed with the Commission, and will consider comments offered by Terra Cotta. When it is not practical to provide Terra Cotta with an advance copy of such documents, Illinois-American will provide Terra Cotta with a copy of such documents promptly after the filing. Illinois-American, however, will determine the content of its filings, and the scope of needed approvals that it requires in its sole discretion. Illinois-American shall also promptly provide Terra Cotta with a copy of all documents, rulings and orders filed or issued by the Commission. Terra Cotta shall, at Illinois-American's request, reasonably cooperate with Illinois-American in obtaining Commission Approval. If Illinois-American reasonably requests the cooperation of Terra Cotta in obtaining the Commission approval, Terra Cotta will provide such cooperation at Terra Cotta's expense.

B. Contingency. If this Agreement (including, without limitation, the Expanded Certificate) is not fully approved by the Commission (at the Commission and not the judicial

level), this Agreement may be terminated upon written notice given to Terra Cotta by Illinois-American within thirty (30) days after the date on which the Commission issues its order (the "ICC Order"), in which event this Agreement shall be terminated and neither party shall have any further obligations or liabilities hereunder.

If this Agreement (including, without limitation, the Expanded Certificate) is not fully approved by the Commission (at the Commission and not the judicial level) and the lack of full approval adversely affects Terra Cotta, this Agreement may be terminated by Terra Cotta upon written notice thereof to Illinois-American within thirty (30) days after the date of the ICC Order, in which event this Agreement shall be terminated and neither party shall have any further obligations or liabilities hereunder.

If this Agreement (including, without limitation, the Expanded Certificate) is rejected in full by the Commission (at the Commission and not the judicial level), this Agreement shall be deemed terminated effective as of the date of the ICC Order without any notice given by either party and thereafter neither party shall have any further obligations or liabilities hereunder.

Notwithstanding anything to the contrary contained herein, if this Agreement is not terminated by either party within thirty (30) days after the date of the ICC Order in accordance with this Section X and this Agreement is not deemed terminated as of the date of the ICC Order in accordance with this Section X, the requirement for Commission approval shall be deemed satisfied as of the thirty-first (31st) day after the date of the ICC Order or, if earlier, the date upon which both Illinois-American and Terra Cotta have each provided the other with written acceptance of the ICC Order (the "ICC Approval Contingency Expiration Date").

XI. Assignment

A. Consent Requirements. This Agreement shall not be assignable by either party without the prior written consent of the other party, which shall not be unreasonably withheld, except that (i) Illinois-American may at its option, and without Terra Cotta's prior consent, assign this Agreement to an entity which succeeds to or acquires all or substantially all of Illinois-American's operations under this Agreement, with the prior approval of the Commission and (ii) Terra Cotta may at its option and without Illinois-American's prior consent, assign its right to receive a payment otherwise due to Terra Cotta under the terms hereof, but not its obligations or liabilities under this Agreement, to any other person or entity in accordance with Section XI.A.

This Agreement shall inure to the benefit of and be binding on the successors and assigns of Terra Cotta and upon the successors and assigns of Illinois-American.

B. TC Land Entities. It is understood that TC Land Entities other than Terra Cotta shall have only the rights expressly granted to such TC Land Entities in this Agreement, and that such TC Land Entities do not have any additional rights, as "successors or assigns" of Terra Cotta, unless this Agreement is assigned to such an entity in strict accordance with the terms of this Section XI.

XII. Indemnification

A. Terra Cotta. Terra Cotta agrees to defend and hold Illinois-American harmless from and against all actions, claims, fines, liabilities, litigation, causes of action, costs, losses and expenses of every kind and character (including reasonable attorneys' fees) resulting from, arising out of or relating to any breach of this Agreement by Terra Cotta, and/or any action or inaction (actual or alleged) of Terra Cotta, or its employees, officers, agents, contractors or subcontractors which relates to the subject matter of this Agreement (including, but not limited to, construction of or failure to construct the 1.0 mgd Plant Expansion) and/or Terra Cotta's agreements with other TC Land Entities, except to the extent caused by the negligence or other fault of Illinois-American or its employees, officers, agents, contractors or subcontractors.

B. Illinois-American. Illinois-American agrees to defend and hold harmless Terra Cotta from and against all actions, claims, fines, liabilities, causes of action, costs, losses and expenses of every kind and character (including reasonable attorneys' fees) resulting from, arising out of or relating to any breach of this Agreement by Illinois-American, and/or any action or inaction (actual or alleged) of Illinois-American, or its employees, officers, agents, contractors or subcontractors which relates to the subject matter of this Agreement, except to the extent caused by the negligence or other fault of Terra Cotta or its employees, officers, agents, contractors or subcontractors.

XIII. Release

A. Settlement. This Agreement resolves all matters in dispute on or before the date hereof between Illinois-American and Terra Cotta.

B. Terra Cotta. Terra Cotta, individually and on behalf of its officers, directors, shareholders, agents, consultants, attorneys, employees, insurers, lenders, affiliates, subsidiaries, parent corporations, predecessors and successors (the "Terra Cotta Parties"), hereby fully and forever release, remise, and discharge Illinois-American, Inc. and its officers, directors, managers, shareholders, agents, consultants, attorneys, employees, insurers, representatives, affiliates, subsidiaries, parent corporations, predecessors and successors (collectively, the "Illinois-American Releasees"), and each of them, from any and all claims, causes of action, suits, costs, damages, expenses and obligations of any kind or nature whatsoever against the Illinois-American Releasees, whether known or unknown, foreseen or unforeseen, anticipated or unanticipated, vested or contingent, which the Terra Cotta Parties now have or in the future may have by reason of any action, inaction, regulatory order, court decision, fact, matter, cause or thing existing or occurring (or alleged to have existed or occurred) on or prior to the date of this Agreement including, without limitation, all claims, demands and actions arising out of or related to the Asset Purchase Agreement and/or the Docket 00-0194 Order (or related Appellate Court opinion). Without limiting the generality of the foregoing, it is understood that this release does not cover potential claims related to water service connections and/or customer revenue refunds which may be asserted by entities other than Terra Cotta (including an entity in which Terra Cotta may hold a minority ownership interest).

C. Illinois-American. Illinois-American, individually and on behalf of its officers, directors, shareholders, agents, consultants, attorneys, employees, insurers, lenders, affiliates,

subsidiaries, parent corporations, predecessors and successors (the "Illinois-American Parties") hereby fully and forever release, remise and discharge Terra Cotta and its officers, directors, shareholders, agents, consultants, attorneys, employees, insurers, lenders, affiliates, subsidiaries, parent corporations, predecessors and successors (collectively, the "TC Releasees"), and each of them, from any and all claims, causes of action, suits, costs, damages, expenses and obligations of any kind or nature whatsoever against the TC Releasees, whether known or unknown, foreseen or unforeseen, anticipated or unanticipated, vested or contingent, which the American Parties now have or in the future may have by reason of any action, inaction, regulatory order, court decision, fact, matter, cause or thing existing or occurring (or alleged to have existed or occurred) on or prior to the date of this Agreement, including, without limitation, all claims, demands and actions arising out of or related in any way to the Asset Purchase Agreement, Docket 00-0194 Order (or the related Appellate Court opinion).

XIV. Water Tower

Terra Cotta shall have the right to place a name and/or logo on the water elevated storage tank that is part of the Existing Water Facilities at Terra Cotta's expense; provided, however, that: (i) such name and/or logo will be in addition to a name and/or logo and/or other items placed on such tank by Illinois-American in its reasonable discretion; and (ii) the size, location and content of the Terra Cotta name and/or logo shall be subject to reasonable approval by Illinois-American.

XV. Other Provisions

A. Payments. To the extent that a payment is otherwise due from Illinois-American to Terra Cotta under the express terms hereof (for a reimbursement, refund or otherwise), Terra Cotta may authorize and direct Illinois-American to provide the payment to another entity, provided that Terra Cotta provides Illinois-American with appropriate written documentation of the authorization and such waiver(s) of claims against Illinois-American as Illinois-American may reasonably deem appropriate. It is understood that this Section XIV.A does not create any additional cost or liability for Illinois-American. Terra Cotta's right to direct payment to another entity applies only to an amount(s) that would otherwise be paid hereunder to Terra Cotta.

B. Interest. Interest shall accrue on any amount past due under this Agreement if said amount is still unpaid after the owing party receives thirty (30) days written notice of the amount past due from the other party. Then and only then shall interest accrue from the date of the past due notice in the percentage amount stipulated by 815 ILCS 205/2, as enacted and amended from time to time.

C. Notice. Any notice required or permitted to be given under this Agreement shall be deemed delivered and be effective on the date physically delivered to the party to whom notice is being provided or four (4) business days following the date on which the notice is deposited in the United States Mail, postage prepaid, certified delivery, and properly addressed to the party to whom notice is being provided, as follows:

Terra Cotta Realty Co.
Chairman

3703 South Route 31
Crystal Lake, Illinois 60012

with a copy to:

Bell, Boyd & Lloyd LLC
Attn: Gregory R. Andre
70 W. Madison St., Suite 3100
Chicago, Illinois 60602-4207

or such other address or addresses as Terra Cotta may advise Illinois-American in writing, and to Illinois-American at:

American Water -- Central Region
General Counsel
727 Craig Road
Creve Coeur, Missouri 63141

or to such other address or addresses as Illinois-American may advise Terra Cotta in writing. Each party shall promptly provide written notice to the other party, as provided herein, of any subsequent change of address.

D. No Agency. It is agreed that Illinois-American is not an agent of Terra Cotta and shall not incur any costs or expenses on behalf of Terra Cotta, and that Terra Cotta is not an agent of Illinois-American and shall not incur any costs or expenses on behalf of Illinois-American.

E. Integration. This Agreement, together with the attachments hereto, sets forth the complete understanding between Terra Cotta and Illinois-American, and, except as is expressly stated herein, supersedes all prior negotiations, understandings, and agreements between the parties. No change in, addition to, or waiver of any of the provisions of this Agreement shall be binding upon any party unless in writing and signed by the party sought to be bound.

F. No Beneficiaries. Except as is expressly stated herein, nothing in this Agreement, express or implied, is intended, or shall be construed, to confer upon or give to any person, firm or corporation (other than the parties hereto and their permitted assigns) any rights or remedies under or by reason of this Agreement, or any term, provision, condition, undertaking, warranty, representation, indemnity, covenant or agreement contained herein.

G. Governing Law. This Agreement shall be governed by the internal laws of the State of Illinois.

H. Default/Remedy. If a party fails to fulfill its obligations hereunder and such failure continues for thirty (30) days after written notice thereof is given by the non-defaulting party to the defaulting party, then the non-defaulting party may pursue any and all legal and equitable remedies against the defaulting party as permitted under applicable law.

I. Time of Essence. Time is of the essence of this Agreement and each and every term contained herein.

J. Captions. The subject headings in this Agreement are included for convenience only, and shall not affect the construction or interpretation of any provision hereof.

K. Recitals. The recitals set forth at the beginning of this document are incorporated herein by this reference and made a part hereof.

L. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS THEREOF, the parties have executed this Agreement by their authorized individuals as of the date first written above.

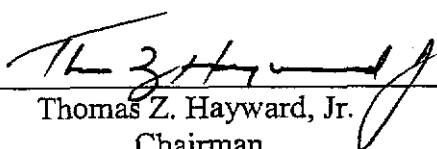
ILLINOIS-AMERICAN WATER COMPANY

By: _____

Title: _____

ATTEST:

TERRA COTTA REALTY CO.

By:  _____
Thomas Z. Hayward, Jr.
Chairman

ATTEST:

Kathy Martinez

IN WITNESS THEREOF, the parties have executed this Agreement by their authorized individuals as of the date first written above.

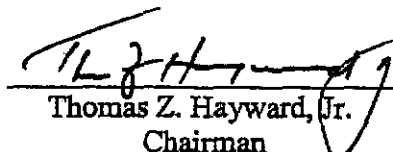
ILLINOIS-AMERICAN WATER COMPANY

By: _____

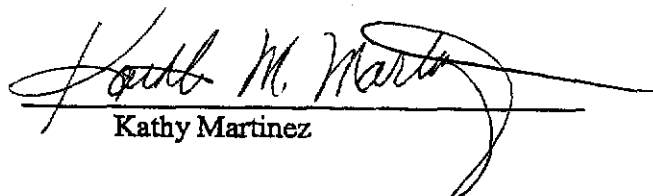
Title: _____

ATTEST:

TERRA COTTA REALTY CO.

By:  _____
Thomas Z. Hayward, Jr.
Chairman

ATTEST:

 _____
Kathy Martinez

IN WITNESS THEREOF, the parties have executed this Agreement by their authorized individuals as of the date first written above.

ILLINOIS-AMERICAN WATER COMPANY

By: Tony Z. Glavin
Title: President

ATTEST:

[Signature]

TERRA COTTA REALTY CO.

By: _____
Thomas Z. Hayward, Jr.
Chairman

ATTEST:

Kathy Martinez

List of Appendices

Appendix "A"	Existing Water Facilities and Existing Sewer Facilities
Appendix "B"	Map of TC Land
Appendix "C"	Legal Description of TC Land
Appendix "D"	Map of Pending Sale Land
Appendix "E"	Legal Description of Pending Sale Land
Appendix "F"	Map of TC Land Not in Original Service Area
Appendix "G"	Legal Description of TC Land Not in Original Service Area
Appendix "H"	Map of Tall Grass
Appendix "I"	Legal Description of Tall Grass
Appendix "J"	ICC No. 4, Original Sheet Nos. 25-31
Appendix "K"	Agreement for Emergency Interconnection of Water Systems
Appendix "L"	Updated Design/Build Agreement
Appendix "M"	ICC No. 5, Original Sheet Nos. 25-27
Appendix "N"	Master Declaration of Water and Sewer Capacity Covenants
Appendix "O"	Map of Modified Property Area
Appendix "P"	Modified Lease